

**CITY COUNCIL MEETING
AGENDA STATEMENT**

ITEM: _____

MEETING DATE: 06/15/04

ITEM TITLE: Ordinance _____ Of The Chula Vista City Council Establishing a Community Choice Aggregation Program in Accordance with California Public Utilities Code Sections 218.3, 331.1, 366, 366.2, 381.1, 394, and 394.25, Allowing the City of Chula Vista, Acting as the Municipal Energy Utility, to Aggregate the Electrical Load of Electricity Consumers within the City.

SUBMITTED BY: Assistant City Manager
Director of Conservation & Environmental Services

REVIEWED BY: City Manager **(4/5ths Vote: Yes__ No X)**

At the June 8, 2004 Council meeting the City Council adopted staff's recommendation to begin to implement a phased approach to the Municipal Energy Utility (MEU) business models recommended by the MEU Feasibility Study, which included Community Choice Aggregation. On June 8, 2004, Council also directed staff to return with an ordinance for their review and consideration that would declare the Chula Vista MEU a Community Choice Aggregator (CCA).

RECOMMENDATION: That Council adopt the ordinance establishing a Community Choice Aggregation Program in accordance with California Public Utilities Code Sections 218.3, 331.1, 366, 366.2, 381.1, 394, and 394.25, allowing the City of Chula Vista, acting as the Municipal Energy Utility, to aggregate the electrical load of electricity consumers within the City.

BOARDS/COMMISSIONS RECOMMENDATION:

Not applicable.

BACKGROUND: On June 5, 2001 Council passed Ordinance No. 2835 establishing the City's status as a Municipal Utility. At the June 8, 2004 Council meeting the City Council directed staff to:

- Pursue a franchise agreement with SDG&E for existing electricity utility service within the City and all existing and new natural gas service,
- Actively participate at CPUC in matters that may impact the City MEU Plans and Ratepayer Advocacy Issues,
- Prepare and circulate requests for proposals for Greenfield Development (GD) and CCA service providers,
- Prepare and submit a CCA Implementation Plan to the California Public Utilities Commission (CPUC),
- Prepare an ordinance declaring the City MEU a CCA,
- Appropriate \$500,000 from the Available Fund Balance of the General Fund to the Administration Department to support the development of a CCA Implementation Plan and participate fully in the CCA rulemaking before the CPUC, and
- Direct Staff to Return to Council With a Staffing Plan to implement one or more

municipal energy business models selected by Council.

Tonight's action by the City Council, acting as the Municipal Energy Utility, declares the City's Municipal Energy Utility a CCA as described in the California Public Utilities Code § 366.2c.10.A, Chapter 838 of 2002, formerly AB117:

- (10)(A) A city, county, or city and county that elects to implement a community choice aggregation program within its jurisdiction pursuant to this chapter shall do so by ordinance.

Over the past two years, staff has actively participated in workshops and proceedings before the California Public Utilities Commission (CPUC) through cooperation with other cities, counties and agencies, including the County of Los Angeles, San Francisco and the Local Government Commission (representing 22 jurisdictions), to jointly promote "just and reasonable" implementation rules and exit fees pertaining to CCA. At these workshops and hearings, the City of Chula Vista has strongly stated to the PUC, as well as to representatives of SDG&E, that the City is pursuing CCA, and reserves its right to implement CCA. Following the MEU's action to declare itself a CCA, staff will notify the CPUC and SDG&E that the Chula Vista MEU is officially beginning the process of preparing a CCA Implementation Plan for submittal to the CPUC, and that the Chula Vista MEU is seeking the full cooperation of the CPUC and SDG&E, the local "electrical corporation," as directed under Public Utilities Code section § 366.2.c:

- (9) All electrical corporations shall cooperate fully with any community choice aggregators that investigate, pursue, or implement community choice aggregation programs. Cooperation shall include providing the entities with appropriate billing and electrical load data, including, but not limited to, data detailing electricity needs and patterns of usage, as determined by the commission, and in accordance with procedures established by the commission.

DISCUSSION:

The Duncan/Navigant team, Peer Review consultants and Staff recommend using a phased approach to implementing a Chula Vista Municipal Energy Utility to ensure that each phased step can be evaluated, debated and understood before escalating the City's level of commitment, and to provide Council with incremental decision points prior to making that commitment. The Duncan/Navigant and Peer Review reports also indicate that this gradual, step-by-step growth will provide the City with valuable experience in the MEU business before fully committing to operating a full Municipal Energy Utility business.

The proposed CCA process is consistent with Navigant's recommendations. The proposed action takes an important step to initiate the development of the CCA Implementation Plan, as required by the Public Utilities Code. However, tonight's action is not irreversible:

- o Council will have another discretionary decision point when the completed Plan is presented to the Council for their review and approval, following a public hearing.
- o Council will also have a go-no-go option when the CPUC "certifies" the Plan and presents its "findings" to the City. Those findings must outline the final terms and conditions of implementation and the full costs or "exit fees" that the CPUC has determined.
- o Finally, Council will have a decision point prior to signing contracts for energy and

providing SDG&E with 30 days notice that Community Choice service will commence.

The MEU Report, the Peer Review and the Ratepayer Advocate Reviews clearly indicate that Community Choice Aggregation is one of the municipal utility business models that will be very financially beneficial over the eighteen-year study period. However, the reports identify additional benefits that staff believes are equally important to the Council's decision regarding the go-no-go decision for Community Choice Aggregation. The additional benefits to Chula Vista from a phased MEU approach that begins with the implementation of Community Choice Aggregation include better control of the City's energy future and the opportunity to implement many if not all of the following objectives:

- Establish a local Municipal Utility structure that's only focus is on service and delivering value to the community, not profit to shareholders.
- Establish a local Municipal Utility that is accountable to local ratepayers, not shareholders, state and federal regulators.
- Establish reliable electricity, and under certain circumstances, natural gas supply that reduces or eliminates scheduled brown outs and maintains the highest level of customer service.
- Stabilize consumer rates.
- Establish land use guidelines for power lines and utility boxes that put local quality of life issues first.
- Enhanced Control of Local Public Goods Funds to:
 - Ensure an environmental advantage for City residents and businesses,
 - Invest the \$3,000,000 already collected from Chula Vista ratepayers each year to produce real savings for current rate payers,
 - Establish better incentives for existing residents and businesses to invest in conservation and clean generation options, and
 - Invest in a more environmentally sustainable energy future based on renewable sources that do not use fossil fuels.
- Invest in medium and long-term energy procurement and power generation strategies that reflect the City's commitment to a sustainable environment and cleaner air including:
 - CO₂ reduction,
 - The prevention of global warming, and
 - Particulate reduction.
- Investment in energy procurement and generation, infrastructure and operational services that maintain existing jobs and create new quality jobs for local residents.
- Enable the utilization of the MEU as an economic development tool to retain and attract businesses,
 - Establish better incentives that encourage developers to reduce costs through increased investment in conservation, energy efficiency and clean generation.
- Generate new city revenues at no increased cost to ratepayers.
 - Equitably invest new revenues generated from an MEU business throughout the City in the form of enhanced existing services and/or new services.
- Enhance Chula Vista's vision to continue as a vibrant community in the region and a leader in environmental stewardship.

Consistent with the existing energy policy and previously articulated Council support for quality jobs and the increased use of renewable energy, energy conservation and efficiency, the recommended and proposed CCA/Greenfield MEU business model provides the Council with the greatest opportunity to develop and incorporate economically viable and local renewable resources in the City's energy portfolio.

The action before Council tonight, declaring the City Municipal Energy Utility a Community Choice Aggregator, is the next carefully studied and measured step in a phased process that provides Chula Vista with the opportunity to play a role in its energy future.

Staff will return to Council with a staffing plan on July 13, 2004 that reflects City Council's direction to begin a phased approach to the implementation of the Community Choice Aggregation and Greenfield Development business models.

FISCAL IMPACTS:

The City Council's approval of the recommendation and adoption of the Ordinance before Council will not impact the general fund. The estimated costs for developing and submitting the CCA Implementation Plan are included in the budget appropriation previously adopted by Council. The phased approach to implementation provides Council with a series of decision points prior to committing to any further expenditures.

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